
TRANSPORTATION AND BALANCING RIDER

GENERAL TERMS AND CONDITIONS

1 GENERAL

- 1.1 Transportation service is available to commercial and industrial customers with one or more contiguous meters within a specific geographic location having consumption equal to, or greater than, 30,000 CCF per year. This service provides the Customer with the ability to purchase their own Gas supply (Customer-owned Gas) and transport, or have transported, such Gas to the Company's distribution system. Transportation service consists of the following components with associated charges: (a) the transportation of the Customer-owned Gas through pipeline systems upstream of the Company, including the interstate pipeline system of Eastern Shore Natural Gas Company (ESNG), (b) the transportation of the Customer-owned Gas through the Company's distribution system to the Company's installed meter, (c) balancing the difference between the Volume of Gas provided by the Customer and the Volume of Gas actually consumed by the Customer on a daily basis, and (d) the resolution of imbalances created by the difference between the Volume of Gas the Customer provided and the Volume of Gas the Customer consumed which may exist at the end of a billing Month. Customers utilizing transportation service will be billed for delivery service, balancing service, Capacity, a one-time transition charge (or credit) for under (or over) collection of gas costs from prior periods, and other charges applicable for the rate schedule under which they are served.
- 1.2 Once approved for transportation service it is necessary for the Customer to execute a firm contract(s) with a Qualified Supplier of Natural Gas and other entities, if necessary, to ensure the firm transportation of such Gas to the Point(s) of Receipt. The Customer is required to notify the Company of the name of its Qualified Supplier prior to the fifteenth (15th) calendar day of the Month preceding the Month for which transportation will commence.

2 DEFINITIONS

Agent: An entity authorized to act on behalf of the Customer, more specifically defined in Section 10 of this Transportation and Balancing Rider.

British Thermal Unit: The amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at 60 degrees Fahrenheit.

Broker: An entity or individual that acts as an intermediary in the sale and purchase of Gas but does not take title to Gas. A Broker can be an Agent.

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Capacity: The physical space, in dekatherms (DTs), provided by a pipeline for a fixed monthly reservation charge which gives a shipper the right to transport up to a maximum daily Quantity of Gas between defined points on the pipeline's system.

CCF: One hundred (100) cubic feet of Gas.

CCT: Central Clock Time, which includes the recognition of Daylight Savings Time.

Customer: For the purposes of this Transportation and Balancing Rider, Customer shall mean an individual Customer as defined in the Section 16.1 of the Rules and Regulations of this tariff or the aggregation of Customer accounts of one or more contiguous meters in a specific geographic location for the purpose of transporting their own Gas through the Company's distribution system.

Customer-owned Gas: Gas to which the Customer has title clear of any liens and encumbrances.

Daily Contract Quantity (DCQ): The monthly Quantity of Gas scheduled by the Customer to be delivered to the Company's distribution system each Day of the Month, which has been adjusted to account for the Shrinkage Factor.

Flowing Gas: Gas flowing through a pipeline or distribution system excluding Gas taken out of storage.

Gas or Natural Gas: Processed or unprocessed natural gas, vaporized liquid natural gas, synthetic gas, gas from coal seams or any mixture of these gases.

Gas Day or Day: A period of twenty-four (24) consecutive hours, beginning at nine o'clock (9:00) a.m. Central Clock Time (CCT).

Imbalance: Any difference between the Volume of Gas provided by the Customer and the Volume of Gas consumed by the Customer. Nominations are adjusted for thermal content and shrinkage to determine the Volume of Gas provided by the Customer.

Marketer: An entity that purchases and takes title to Gas as an intermediary for sale to a Customer. A Marketer can be an Agent.

MCF: One thousand (1,000) cubic feet of gas.

Month: The period beginning at nine o'clock (9:00) a.m. CCT or the hour otherwise agreed upon by the Customer and the Company on the first Day of the calendar month and ending at the same hour on the first Day of the next succeeding calendar month.

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Nomination: The Quantity of Gas, adjusted by the Shrinkage Factor, that the Customer is delivering, or having delivered on its behalf, to a Point(s) of Receipt in the electronic format as provided by the Company.

Point(s) of Delivery: The point(s) at the connection at which the Gas leaves the facilities of the Company and enters the downstream facilities of the Customer.

Point(s) of Receipt: The point(s) at the connection at which the Gas enters the facilities of the Company and leaves the facilities of ESNG.

Qualified Supplier: An entity that has met all qualification requirements as stated in Rate Schedule "SUP", and is deemed capable of holding title to the Gas, and causing it to be delivered to the upstream pipeline interconnect on behalf of the customer.

Quantity of Gas: The Volume of Gas adjusted by the Thermal Factor and expressed in dekatherms, unless otherwise specified.

Replacement Shipper: An entity that takes title to Capacity upstream of the Company's distribution system under the terms of the interstate pipeline's tariff.

Shrinkage Factor: A percentage applied to a Nomination to adjust for Gas lost and unaccounted-for within the Company's distribution system. The Shrinkage Factor shall be determined annually and will be the five-year average.

Summer Peaking Customer: A Customer whose lowest DCQ from November to March does not exceed ten percent (10%) of its highest DCQ for the Year.

Thermal Factor: The amount of British Thermal Units in one MCF of Natural Gas divided by one million. The thermal factor for converting between DT and MCF shall be 1.035 unless otherwise specified by the Company.

Volume of Gas: The number of units of Gas expressed in cubic feet, unless otherwise specified.

Year: A period of three hundred sixty-five (365) consecutive Days; provided, however, that any such Year which contains a date of February 29th shall consist of three hundred sixty-six (366) consecutive Days.

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3 REQUEST FOR TRANSPORTATION SERVICE

Each prospective transportation Customer, or existing transportation Customer seeking enrollment of a new meter, must submit a completed application on the standard form provided by the Company no later than the first (1st) calendar day of the Month preceding the Month in which the transportation service will commence. Service will be provided by the Company based upon the established criteria referenced within the Customer's applicable rate schedule, available capacity and the Customer providing suitable Gas to the Point(s) of Receipt.

4 CONTRACT FOR SERVICE

A Service Agreement with an initial term of one Year must be executed by each applicant as a condition of receiving transportation service. The Service Agreement shall specify the date on which service is to begin, Point(s) of Receipt and Point(s) of Delivery, the rate schedule(s) under which service is to be provided and other conditions of receipt by the Company and delivery to the Customer. Transportation of Gas will not begin until a fully executed Service Agreement is completed. Service Agreements must be renewed annually, and received by the Company no later than the fifteenth (15th) calendar day of the Month preceding the Month of renewal in order for the customer to continue participating in the transportation program without an interruption of service. The Company may waive the annual renewal requirement at its discretion.

5 GAS TO BE TRANSPORTED BY THE COMPANY

The Customer is responsible for making all arrangements necessary for transporting the Gas to a Point(s) of Receipt in compliance with pressure requirements established by the Company or any upstream pipeline for such Point(s) of Receipt. Gas received for one Customer will be commingled with the Gas of other customers and suppliers. Gas transported by the Company shall be and remain the property of the Customer.

6 QUALITY OF GAS

Gas received by the Company for the account of the Customer shall be Natural Gas conforming to the quality specifications as provided for in the General Terms and Conditions of the tariff of the pipeline that is interconnected to the Company's distribution system. Any Gas entering the Company's system at a Point(s) of Receipt that is not an interconnection with an interstate pipeline must also meet the "pipeline quality" standard set forth above.

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7 TITLE TO GAS

The Customer must have good title to all the Gas that enters the Company's distribution system for transportation to a Point(s) of Delivery. Such title shall be free and clear of all liens, encumbrances, and claims whatsoever. The Customer agrees to indemnify and hold the Company harmless against any loss or cost incurred by the Company on account of liens, encumbrances or claims resulting from any possession or transportation by the Company.

8 LIABILITY

The Company shall not be liable for any loss to the Customer arising from or out of transportation service under any rate schedule, including loss of gas in the possession of the Company. The Company makes no guarantee against and assumes no liability for interruptions of service.

9 METERING AND ASSOCIATED EQUIPMENT

Transportation service of Customer-owned Gas to the Point(s) of Delivery is not expected to require any special metering or communication equipment in excess of what would be needed to provide regular delivery and standard Gas sales service. However, there may be situations which will require knowledge of daily usage by transportation Customers that will require additional equipment. If any additional metering or communication equipment is required to provide transportation service, the Customer will reimburse the Company for such equipment and its installation. The Customer shall provide any electrical supply or phone line needed for the operation of any additional equipment. As referenced in Section 11.2 of the Rules and Regulations of this Tariff, remote reading will be utilized for customers with consumption greater than 100,000 annual CCF.

10 AGENTS ACTING ON BEHALF OF THE CUSTOMER

A Customer may use the services of an Agent to act on its behalf for the delivery of Gas to the Company's distribution system. An Agent can be a Broker, Marketer or a Qualified Supplier. All Customers are required to have a Qualified Supplier on record. If a Customer engages the use of an Agent, it is the responsibility of the Customer to notify the Company, using the standard form provided by the Company, of their designation of such Agent to conduct business on their behalf. A Customer may choose to designate an Agent in addition to their Qualified Supplier. Any notices provided to a Customer's Agent shall be deemed to have been provided to the Customer and the Company shall be held harmless from any actions taken by the Agent.

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11 COMPANY AS AGENT

The Company may act as Agent for a Customer in securing and transporting Gas supply to a Point(s) of Receipt. The Company shall not be responsible for charges incurred on behalf of the Customer, nor for the performance, non-performance or continued availability of any pipeline or other services. The charges for this service shall be determined by negotiation between the Company and the Customer.

12 DETERMINATION OF DAILY CONTRACT QUANTITY

- 12.1 A Daily Contract Quantity (DCQ) for each Month for the following twelve (12) month period shall be calculated annually by the Company based on usage during the previous three Years, if available. Previous usage shall be adjusted for normal weather in a matter determined by the Company. The Customer will be obligated to have the DCQ delivered each Day of the Month to the agreed upon Point(s) of Receipt.
- 12.2 The Company may approve adjustments to the Monthly DCQs on an ongoing basis due to changes in a Customer's Gas equipment, pattern of usage, or any other information affecting demand that is deemed reliable by the Company. To be considered, such information must be provided to the Company in writing from the Customer or the Customer's Agent.
- 12.3 The Company considers DCQ information to be confidential and proprietary data for the Customer. The Company will only provide usage data to the Customer or the Customer's Agent. If a Customer wishes to authorize a third party to have access to such data the Company must receive a written letter of authorization, on the Customer's official letterhead, and signed by the authority referenced as a contact under the Customer's account information.
- 12.4 The Company will not provide DCQ information to multiple third parties simultaneously. If multiple parties are requesting DCQ information for the same Customer, the Company will provide that data directly to the Customer or to one Agent for such Customer.

13 NOMINATIONS AND SCHEDULING

- 13.1 A Customer's DCQ will be considered their daily Nomination. The Company shall require from either the Customer or the Customer's Agent on record a signed DCQ Nomination form. The Nomination form must be received by the Company via mail, electronic mail, or facsimile transmission no later than the fifteenth (15th) calendar day of the Month prior to the first Day of the Month in which transportation service begins, and annually on that date thereafter. If the nomination cannot be confirmed with the delivering pipeline(s) or other source(s), the nomination will be rejected.

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- 13.2 Upon receipt of a completed and properly executed DCQ Nomination form by the Company, the Company will release upstream ESNG transportation Capacity to the Customer, or the Customer's Agent on record, to facilitate the transportation of Gas to the Point(s) of Receipt.
- a. The Customer, or Customer's Agent on record, as the recipient of released Capacity becomes the Replacement Shipper with respect to ESNG.
 - b. For all Customers other than Summer Peaking Customers, the amount of ESNG Capacity to be released will be equal to the highest DCQ within the twelve (12) Months of DCQs calculated.
 - c. For Summer Peaking Customers, the amount of ESNG Capacity to be released will be equal to the monthly calculated DCQ.
 - d. ESNG will invoice the Replacement Shipper for all pipeline Capacity and commodity charges associated with the released Capacity.
- 13.3 Upon the release of Capacity, the Customer, or their Agent on record, shall be responsible for scheduling their DCQ Nomination Quantity on ESNG for the ultimate delivery to the designated Point(s) of Receipt.
- 13.4 Any variance between the Nomination Quantity and the approved DCQ will be subject to a balancing penalty of \$30.00 per DT. Such penalty shall be paid by the Customer in addition to the cost of Gas supply used to serve the customer.
- 13.5 In the event that changes to existing DCQ's, as referenced in section 12.2, are approved, the Customer is required to resubmit their DCQ nomination sheet by the deadline stated in section 13.1.

14 FIRM BALANCING SERVICE

- 14.1 Balancing the difference between the Customer's nominated DCQ and the Volume of Gas consumed by the Customer is performed daily by the Company on a firm basis. The Company will charge a Firm Balancing Service Rate pursuant to the applicable rate schedule under which service is provided.
- 14.2 Any Imbalance for a billing month will be reconciled (*i.e.*, "cashed-in" or "cashed-out") at the Company's weighted average cost at the city gate for Flowing Gas for the calendar month in which most of the billing month occurs. Estimated costs will be used based on nominations made by the Company when the applicable calendar month is not completed before billing the Customer.
- 14.3 For the purposes of Company invoicing, nominated Quantities of Gas shall be converted to CCF using the Thermal Factor and reduced by the Shrinkage Factor to determine the volume actually delivered to the Point(s) of Delivery.

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15 INTERRUPTIBLE BALANCING SERVICE

- 15.1 Balancing between the Customer's DCQ and the Volume of Gas consumed by the Customer is performed daily by the Company on an interruptible basis. Imbalances between the Volume of Gas provided by the Customer and the Volume of Gas consumed by the Customer for a billing Month will be cashed-in or cashed-out at the Company's weighted average cost at the city gate for Flowing Gas for the calendar Month in which most of the billing month occurs. Estimated costs will be used based on Nominations made by the Company when the applicable calendar month is not completed before billing the Customer.
- 15.2 The Customer is expected to cease using Gas if the Customer's supply is interrupted. When a supply interruption occurs the Customer must notify the Company immediately upon interruption and upon resumption of supply. During the interruption period the Customer's DCQ will be set to zero for purposes of calculating daily shortfalls and monthly imbalances. Using Gas during a period of supply interruption will subject the Customer to the same penalty rate specified in the interruptible rate schedule for failure to interrupt service unless the Company is not interrupting customers and has Gas supply available. In the later case, the fee specified in 15.3, below, will apply to Gas used during the Customer's supply interruption unless the Customer schedules another service from the Company.
- 15.3 If the Customer, or the Customer's Qualified Supplier, fails to supply the DCQ on any Gas day the Customer shall be billed a fee of \$30.00 per DT for the difference between the DCQ Nomination, which is in DTs, and the Volume actually supplied by the Customer. Such penalty is in addition to any cash-in or cash-out price paid by the Customer for monthly imbalances.
- 15.4 On a daily basis, the Company, in its sole discretion, may limit Customer usage to the Volume of Customer-owned Gas that is delivered to the Company's distribution system.
- 15.5 When the Company interrupts the delivery of Customer-owned Gas to an Interruptible Transportation Customer for distribution system reasons any monthly imbalance up to the total DCQ Volumes delivered to the Company's distribution system by such Interruptible Transportation Customer during the period of interruption will be purchased by the Company at the Customer's cost or the otherwise effective cash-in or cash-out price, whichever is greater.

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16 OPERATIONAL FLOW ORDER

At any time that Customer-owned Gas, in the sole judgment of the Company, adversely impacts the Company's distribution system or its ability to serve firm Customers, the Company may issue an Operational Flow Order and refuse to accept Customer-owned Gas at the Point(s) of Receipt or require the Customer to adjust its Nominations up or down. Operational Flow Orders will be issued by the Company eight (8) hours in advance of implementation, unless exigent circumstances dictate a shorter notice period.

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